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E.O. 12958: DECL: 07/17/2019

TAGS: [ECON](#) [PGOV](#) [VE](#)

SUBJECT: BANKER CONCERNED ABOUT FAILING INFRASTRUCTURE AND
SERVICES

REF: CARACAS 819

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b)
and (d).

¶1. (C) Summary: Bank president Oscar Garcia Mendoza (strictly protect throughout) told the Ambassador he was worried Venezuela would "collapse" eventually as a consequence of failing infrastructure and services. He also described his bank's efforts to finance a campaign in support of private property. Garcia Mendoza's expectations of collapse must be put in context. We hear a similar refrain from a number of contacts opposed to President Chavez and his policies, alarmed by the country's faltering economy, and disappointed in the opposition's capacity to challenge Chavez politically. These tendencies often combine to produce a heightened sense of alarm at the prospect for imminent economic collapse and/or political unrest. End summary.

¶2. (C) Oscar Garcia Mendoza (strictly protect throughout), president of Venezolano de Credito, told the Ambassador in a meeting on October 22 that he expected Venezuela would "collapse" at some point thanks to failing infrastructure and services. Garcia Mendoza pointed specifically to actual or incipient crises in security, electricity, water, health, education, and the oil sector. He said he could not predict what would spark the collapse or when it would occur, but hoped it would be "sooner rather than later so the damage will be less." While the government sought to keep services in Caracas from deteriorating too dramatically, he continued, outside of Caracas the country was "lit up" with daily protests. Garcia Mendoza agreed with the Ambassador that the opposition had not organized effectively to date to take advantage of rising discontent and present a coherent alternative to President Chavez.

¶3. (C) Garcia Mendoza said his bank had chosen to finance a campaign by Cedice, a local NGO, in support of private property. He acknowledged the risk involved but said it was justified from a business perspective because without some degree of protection of private property the bank would cease to exist. As an example of the growing threat to private property, he cited a new decree declaring over 1,000 buildings, parks, and even neighborhoods of Caracas as "protected historical sites" (septel). (Note: Venezolano de Credito is a medium-sized bank with an excellent reputation. It does not do business with the government. End note.)

¶4. (C) Comment: We have heard before the thesis that rising discontent over economic and social problems and

deteriorating infrastructure and services could at some point
provoke large-scale public unrest. As we commented
previously (reftel), it would be wrong to assume this will
happen imminently and, should it happen, very difficult to
predict in advance. Given President Chavez's political
ability and the resources at his disposal, predictions of a
collapse often represent wishful thinking more than objective
analysis. End comment.
DUDDY